

STACK
ANNEX

5

037

442

INTERNAL REVENUE.

SPEECH

OF

HON. GEORGE D. WISE,

OF VIRGINIA,

IN THE

HOUSE OF REPRESENTATIVES,

Thursday, March 3, 1887.

WASHINGTON

1887.

SPEECH
OF
HON. GEORGE D. WISE.

The House having under consideration a bill to modify the internal-revenue system of legislation, and for other purposes—

Mr. WISE said:

Mr. SPEAKER: This bill contains many important provisions, and, if passed, will afford relief from many of the annoyances and hardships of an odious system of taxation. So far from diminishing, I am satisfied that its effect would be to increase the revenues of the Government by preventing prosecutions for trivial offenses. If gentlemen will examine in this connection the letters from Mr. Durham, the First Comptroller, addressed to Mr. Jones, United States attorney for the western district of North Carolina, they will be convinced that large sums of money are annually being taken from the Treasury for the payment of the costs of such prosecutions without compensating or beneficial results. He tells us that the practice followed in issuing warrants for alleged violations of the internal-revenue laws in this district resulted in bringing to the Treasury during the fiscal year ending June 30, 1886, the sum of \$265, and in taking therefrom the sum of \$1,807.41.

An examination of the accounts of United States commissioners and deputy marshals reveals the existence of methods in the inauguration of criminal proceedings which call loudly for legislative correction. The provisions of this bill, which have for their object the extinguishment of these practices, have been carefully considered and favorably reported by the Committee on the Judiciary of this House, and it seems to me that no one should halt in the opinion that they should be adopted.

The producer of leaf-tobacco is limited by existing statutes in the disposition of his crop to licensed dealers, except that he may sell at the place of production at retail directly to consumers, to an amount not exceeding \$100 annually. And he is forbidden even to issue as rations or supplies to his laborers or employes tobacco of his own growth and raising in excess of 100 pounds in any special tax year, without first having paid the special tax of a dealer in manufactured tobacco. These restrictions work a great hardship to the tillers of the soil, and should not be continued when there is no necessity for them. They are especially injurious to the small farmers, who should be the objects of the fostering care of the Government, instead of being subjected to unfriendly and repressive legislation.

No citizen, except under peculiar circumstances, requiring the exercise of such an extraordinary power, should be deprived of the right to dispose of the products of his toil and labor as he pleases; and if this internal-revenue system cannot be maintained without interfering with the rights of ownership of private property, that fact is the best argu-

ment against its perpetuation. As the tax is paid by the manufacturer of tobacco, I am unable to discover a reason for the continuance of this limitation upon the producer thereof.

While this bill is a step in the right direction, and will, as I have said, afford relief from many unnecessary hardships and vexations, it stops short of that full measure of relief for which my people have petitioned. The people of the States in which the culture and manufacture of tobacco are important industries are loud in their demands for the abolition of the system of direct taxation known as the internal revenue, which was resorted to with reluctance when the country was in the throes of a gigantic civil war.

We have been deluged with a flood of petitions favoring action in this direction, coming from the best representatives of the industries and the interests involved. These petitions were sent here not by moonshiners, of whom gentlemen speak contemptuously, but by men of large experience and commanding influence, and they embody the sentiments of an overwhelming majority of the people of the States where the vexations and hardships inherent in the administration of the system are felt. They come from gentlemen who have an intelligent appreciation of the subject, and whose views and opinions are worthy of respectful consideration. Their clamors for relief can not be silenced by sneers or denunciation.

"From the foundation of this Government taxes collected at the custom-house have been the chief source of Federal revenue," and such in my opinion they should continue to be. Internal taxes have never been resorted to, except when required by extraordinary emergencies, and on all former occasions were repealed promptly when the necessity for their imposition ceased to exist. They have never failed to arouse a feeling of discontent among the people. The first attempt to obtain revenue by this method, authorized by the first Congress which assembled under the Constitution, caused in the western counties of Pennsylvania what is known in history as the "whisky rebellion." The spirit of resistance which it aroused was so violent and persistent as to require an armed force for its subjugation.

The present system was devised and put into operation during our civil war, but not until nearly fifteen months after its outbreak. Even then, when the requirements of the Government for money were most urgent, and when a sufficiency of it for the equipment and supply of troops could not be obtained from other sources of revenue, Congress hesitated to resort to this method. It was feared that the imposition of direct or internal taxation would create such discontent as to interfere with the vigorous prosecution of the war. Twenty-two years have passed since the termination of hostilities, and these internal-revenue taxes remain, and there are many here unwilling even to make such a modification of the statutes which authorize their collection as will render them less odious and obnoxious.

The people are restless under the unnecessary exactions to which they are subjected, and while their opposition has not been carried to the extent of forcible resistance, their demands for corrective legislation are loud and deep. The day of their deliverance may be postponed, but this agitation for reform will continue until existing abuses and evils shall have ceased to exist. Our attention has been repeatedly directed to the necessity for the reduction of the revenues of the Government, which can only be accomplished by a thorough and radical revision of our fiscal arrangements.

We are told by the Secretary of the Treasury in his last annual report that under the operation of existing laws the proceeds of surplus taxation amount to more than \$100,000,000 per annum. The effect of the continuance of this useless depletion of the earnings of the people must be to paralyze business and cripple industries. If this annual surplus should be kept locked in the vaults of the Treasury a panic would thereby inevitably be created, and the result would be widespread ruin and disaster. This vast surplus can not be much longer used in the extinguishment of our indebtedness without paying to the creditors of the Government large premiums in the purchase of bonds before the dates of their maturity.

Upon this subject the President in his annual message says that—

The application of the surplus to the payment of such portion of the public debt as is now at our option subject to extinguishment, if continued at the rate which has lately prevailed, would retire that class of indebtedness within less than one year from this date. Thus a continuation of our present revenue system would soon result in the receipt of an annual income much greater than necessary to meet Government expenses, with no indebtedness upon which it could be applied.

The employment of this surplus in useless and unnecessary expenditures is not to be thought of as an excuse for its continuance. There is but one remedy for the evil, and that is to be found in the immediate reduction of taxation.

We have reached the point when something must be done to escape the dangers close at hand. We will soon be confronted with the serious and blighting consequences, which must inevitably follow, if some action be not taken "to transfer our present and accruing proceeds of surplus taxation from the Treasury vaults to the pockets of the people." Hesitation is weakness and folly; and the policy of inaction is criminal when the demands for money to be employed in productive industries and commercial enterprises are so urgent. I beg to remind my party friends upon this floor that we are in a large majority, and that the people will hold us responsible for the failure to do something to avert threatened evils.

In the platform upon which the present administration came into power the Republican party was denounced "for having failed to relieve the people from crushing war taxes," and the distinct pledge was made to accomplish that result and "to purify the administration from corruption." I warn you that our lingering in the policies and methods which characterized the conduct and management of public affairs by the Republican party will be pursued with whips of scorpions. Our people have become accustomed to import duties, and they are endured without a murmur, while on the other hand internal taxation produces friction, and is regarded with feelings of hate and aversion.

The aggregate collections from this source amounted, in round numbers during the last fiscal year, to \$117,000,000, which is less by \$8,000,000 than the surplus for the same period. If this odious system is not to remain permanently as a part of our fiscal arrangements, then the time has arrived when we can and, in my judgment, should move in the direction of its repeal. In assuming this position I place myself in harmony with the settled policy of the Government from its foundation and in accord with Democratic platforms since the war, and especially with those of our party in the States of Virginia, Pennsylvania, New Jersey, Ohio, North Carolina, and West Virginia.

In this bill material modifications and changes are proposed by which the system will be relieved of many of its irritating and oppressive

features, but the financial situation will not be improved by its enactment. The difficulties and embarrassments by which we are surrounded will still remain to plague us. The people will still be left to stagger under unnecessary burdens. Tobacco is the chief money crop of several of the great States of the Union, and the continuance of the tax upon it is injurious to the interests of their people. An excuse for its retention can not be found in the necessity to make suitable provision for the defense of the country, nor is it required for the preservation of the faith of the nation to its creditors and pensioners.

If time permitted, many strong and urgent reasons for its immediate abolition might be offered, but none more convincing than the bare statement of the fact that the effects of the laws enacted and maintained to insure its collection have created and fostered monopolies. They have operated to deprive many poor and deserving citizens of their accustomed employment and to confer special favors upon the rich. The gentleman from Iowa [Mr. HEPBURN] says, "there is no monopoly; any man can secure the right to buy and sell if he chooses to." He takes a very narrow view of the subject, and exhibits a paucity of knowledge of it which renders his opinion of little value. "Any man can secure the right to buy and sell," if he has the capital with which to engage in the business. Let me place by the side of this declaration the statement of the wholesale dealers and manufacturers of tobacco and cigars of the city of Baltimore, which is, that—

The fostering care of the Government in levying the tax on tobacco has ruined the great bulk of the small manufacturers and aided in building up a few gigantic factories which are striving to monopolize the business, and in a great measure they have succeeded. One renowned factory of smoking tobacco, not in Baltimore, turns out millions of pounds a year, on which they have a profit of 20 cents a pound, or about 75 per cent. on cost of production. This is accomplished through the internal-revenue tax law, as it turns the business into a sort of patent. The poor consumer buys on account of the picture on the package and the windy advertisements of the factory, as he is not permitted to open the package to examine the goods. The law says if the stamp is broken it is illegal to sell it—so, in every case, he must buy his pig in the bag, sight unseen.

Since the internal-revenue tax has been levied the tobacco business of Baltimore has constantly decreased in importance. Formerly there were twenty to thirty smoking-tobacco factories located in Baltimore; now there are but five or six. The plug-tobacco commission business, once the pride not only of Baltimore, but the largest in the country, has been comparatively wiped out.

The sale of plug tobacco for export has been about abandoned at this port on account of the internal-revenue tax. Vessels can not wait a week or ten days to get the tobacco from the Virginia factories, and tobacco in store can not be sold for export, because it is stamped, without the loss of the cost of the stamps.

These are the utterances of men having knowledge of the subject of which they speak derived from experience. Similar results have been produced in Virginia and other States. But there are those who tell us that tobacco is a luxury, and that the abolition of the tax upon it is not to be thought of until we shall have conferred "upon the wage-earners of the United States the boon of untaxed clothing." I am in favor of a revision of the tariff, as my votes here show, but we must not lose sight of the question at issue, which is, what shall be the sources of revenue, the methods of taxation?

In speaking upon this subject Mr. Madison said that "the system must be such a one that, while it secures the object of revenue, it shall not be oppressive. Happy it is for us that such a system is within our power, for I apprehend that both these objects may be obtained from an impost on articles imported into the United States." And in harmony with the views thus presented by that great statesman are the declarations of our party platform, to which I have already referred,

"that from the foundation of this Government taxes collected at the custom-house have been the chief source of Federal revenue, and such they must continue to be."

Tobacco may be a luxury; call it so, if you will; but I make the assertion, without fear of successful contradiction, that in taxing it you place upon the shoulders of wage-earners a heavier burden than is imposed by the taxation of any other article. It is the poor man's luxury; the solace of his toil. It is in general use by the laboring classes, and they will not be without it if it can be had. During our civil conflict the soldiers of the Union were always found ready to give in exchange for it clothing, or their rations of coffee and sugar. I know of no greater luxury than a large bank account, ample for the supply, not only of the necessities of life, but sufficient to enable its possessor in the pursuit of pleasure to surround himself with all the allurements which his fancy may suggest. There was a time when a luxury of that kind was made to bear a portion of the burdens imposed for the support of Government. I refer to the tax on incomes, which was removed in 1870, nearly seventeen years ago. We did not hear then the cry that this tax should remain until the duties on certain articles of general consumption should be reduced. This income tax was obnoxious because inquisitorial, and I beg gentlemen not to forget that that presents one of the chief points of objection to the whole system of internal-revenue taxation,

Blackstone, in his Commentaries, says:

The rigor and arbitrary proceedings of excise laws seem hardly compatible with the temper of a free nation. For the frauds that might be committed in this branch of the revenue, unless a strict watch is kept, make it necessary, wherever it is established, to give the officers the power of entering and searching the houses of such as deal in excisable commodities, at any hour of the day, and, in many cases, of the night likewise. And the proceedings, in case of transgression, are summary and sudden.

* * * * *

However, its "original establishment was in 1643, and its progress was gradual, both sides protesting it should continue no longer than to the end of the war, and then be utterly abolished. * * * But from its first origin to the present time its very name has been odious to the people of England." It has been kept up, however, to supply the enormous sums necessary to carry on the continental wars of Europe.

The dispute arises as to the methods by which a sufficient income for the requirements of the Government shall be obtained, and not as to whether this or that article shall be taxed. When the work of a revision of the tariff shall have been entered upon I shall have something to say upon that subject also. Its discussion would be out of place in this connection. But I will add that I will approach its consideration "in a spirit of fairness to all interests, and with the purpose not to injure any domestic industries, but rather to promote their healthy growth." Both parties are pledged to a revision, and it is demanded both as a measure of justice to consumers and for the promotion of the general industrial prosperity.

But believing that a national revenue sufficient for the requirements of the Government economically administered can be obtained from an impost on articles imported into the United States and that internal taxes are unnecessary and a prolific source of discontent, I am in favor of the repeal of all laws authorizing their collection.

APPENDIX.

(Extract from the CONGRESSIONAL RECORD of March 4, 1887.)

MODIFICATION OF INTERNAL-REVENUE LAWS.

Mr. HENDERSON, of North Carolina. Mr. Speaker, I submit the resolution I send to the desk.

The Clerk read as follows:

Resolved, That the rules be suspended and that the following bill be passed: A bill to modify the internal-revenue system of legislation, and for other purposes.

The SPEAKER. The Clerk will report the bill.

The bill was read, as follows:

A bill to modify the internal-revenue system of legislation, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the proviso contained in subdivision 6 of section 3244 of the Revised Statutes of the United States, which reads as follows:

"*Provided*, That nothing in this section shall be construed to exempt from a special tax any farmer or planter who, by peddling or otherwise, sells leaf-tobacco at retail directly to consumers, or who sells or assigns, consigns, transfers, or disposes of to persons other than those who have paid a special tax as leaf-dealers or manufacturers of tobacco, snuff, or cigars, or to persons purchasing leaf-tobacco for export," be, and the same is hereby, repealed.

SEC. 2. That section 3361 of the Revised Statutes of the United States, and all laws and parts of laws which impose restrictions upon the sale of leaf-tobacco by the producers thereof, or by guardians, executors, or trustees having the control of the land on which the same was produced, or by owners of land who have received tobacco as rent from their tenants, and all laws and parts of laws imposing penalties therefor, be, and the same are hereby, repealed; and none of the persons or classes of persons above mentioned shall be deemed dealers in leaf-tobacco or retail dealers in leaf-tobacco, or be subject to any special or other tax as such.

SEC. 3. That section 3255 of the Revised Statutes shall be amended by adding at the end of said section the following:

"The Secretary of the Treasury shall exempt all distilleries which mash five bushels of grain or less per day from the operations of the provisions of this title relating to the manufacture of spirits, except as to the payment of the tax, which said tax shall be levied and collected on the capacity of said distilleries; and said distilleries shall be run and operated without storekeepers or 'store-keepers and gaugers.' And the Commissioner of Internal Revenue, with the approval of said Secretary, may exempt any distillery or all distilleries which mash over five and not more than twenty-five bushels of grain per day from the operations of the provisions of this title relating to the manufacture of spirits, except as to the payment of the tax, which said tax shall be assessed and collected upon the capacity of the distillery so exempted, as hereinbefore provided. And the said Commissioner, with the approval of said Secretary, may establish special warehouses, in which he may authorize to be deposited the product of any number of said distilleries to be designated by him, and in which any distiller operating any such distillery may deposit his product, which when so deposited shall be subject to all the laws and regulations as to bonds, tax, removals, and otherwise as other warehouses. The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, is hereby authorized and directed to make such rules and regulations as may be necessary to carry out the provisions of this section: *Provided*, That such regulations shall be adopted as will require that all the spirits manufactured shall be subject to the payment of the tax as required by law."

SEC. 4. That section 3255 of the Revised Statutes of the United States be amended by striking out all after said number and substituting therefor the following:

"The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may exempt distillers of brandy made exclusively from apples, peaches, grapes, or other fruits from any provision of this title relating to the manufacture of spirits, except as to the tax thereon, when in his judgment it may seem expedient to do so."

SEC. 5. That the provisions of an act entitled "An act relating to the production of fruit-brandy, and to punish frauds connected with the same," approved March 3, 1877, be extended and made applicable to brandy distilled from apples or peaches, or from any other fruit the brandy distilled from which is not now required, or hereafter shall not be required, to be deposited in a distillery ware-

house: *Provided*, That each of the warehouses established under said act, or which may hereafter be established, shall be in charge either of a storekeeper or a storekeeper and gauger, at the discretion of the Commissioner of Internal Revenue.

SEC. 6. That section 3332 of the Revised Statutes, and the supplement thereto, shall be amended so that said section shall read as follows:

"When a judgment of forfeiture, in any case of seizure, is recovered against any distillery used or fit for use in the production of distilled spirits, because no bond has been given, or against any distillery used or fit for use in the production of spirits, having a registered producing capacity of less than 150 gallons a day, every still, doubler, worm, worm-tub, mash-tub, and fermenting-tub therein shall be sold, as in case of other forfeited property, without being mutilated or destroyed. And in case of seizure of a still, doubler, worm, worm-tub, fermenting-tub, mash-tub, or other distilling apparatus of any kind whatsoever, for any offense involving forfeiture of the same, it shall be the duty of the seizing officer to remove the same from the place where seized to a place of safe storage; and said property so seized shall be sold as provided by law, but without being mutilated or destroyed."

SEC. 7. That whenever in any statute denouncing any violation of the internal-revenue laws as a crime or misdemeanor, there is prescribed in such statute a minimum punishment, less than which minimum no fine, penalty, imprisonment, or punishment is authorized to be imposed; every such minimum punishment is hereby abolished; and the court or judge in every such case shall have discretion to impose any fine, penalty, imprisonment, or punishment not exceeding the limit authorized by such statute, whether such fine, penalty, imprisonment, or punishment be less or greater than the said minimum so prescribed.

SEC. 8. That no warrant, in any case under the internal-revenue laws, shall be issued upon an affidavit making charges upon information and belief, unless such affidavit is made by a collector or deputy collector of internal revenue or by a revenue agent, nor unless such affidavit is first approved by the district attorney and written instructions given by him for the issuing of the warrant; and with the exception aforesaid every such warrant shall be issued upon a sworn complaint, setting forth the facts constituting the offense and alleging them to be within the personal knowledge of the affiant; and no warrant shall be issued upon the affidavit of a person other than such collector, deputy collector, or revenue agent, unless the commissioner or other officer having jurisdiction shall indorse upon the warrant and shall enter upon his docket an express adjudication that the examination on oath of the affiant shows that there is probable cause for charging the person prosecuted with the offense.

SEC. 9. That whenever it shall be made to appear to the United States court or judge having jurisdiction that the health or life of any person imprisoned for any offense, in a county jail or elsewhere, for a period of one year or less, is endangered by close confinement, the said court or judge is hereby authorized to make such order and provision for the comfort and well-being of the person so imprisoned as shall be deemed reasonable and proper.

SEC. 10. That the circuit courts of the United States and the district courts of the Territories are authorized to remove from office any commissioner appointed or authorized to be appointed by said courts under sections 627 and 1983 of the Revised Statutes.

SEC. 11. That all clauses of section 3244 of the Revised Statutes, and all laws amendatory thereof, and all other laws which impose any special taxes upon manufacturers of stills, are hereby repealed.

SEC. 12. All laws in conflict with this act are hereby repealed.

SEC. 13. This act shall be in force from and after the 1st day of April, in the year 1887.

Mr. WILKINS. I demand a second.

The SPEAKER. The gentleman from Ohio demands a second, and the Chair will appoint tellers.

Mr. HENDERSON, of North Carolina. I ask unanimous consent that a second be considered as ordered.

Mr. WILKINS. I do not rise to oppose this bill, but simply to ask an explanation of its provisions.

Mr. HEPBURN. I object to a second being considered as ordered.

The SPEAKER. The Chair will appoint tellers.

Mr. HEPBURN and Mr. HENDERSON, of North Carolina, were appointed tellers.

The House divided; and the tellers reported—ayes 126, noes 38.

So the motion was seconded.

The SPEAKER. Under the rules of the House thirty minutes are allowed for debate, fifteen minutes in support of and fifteen minutes in opposition to the motion. The Chair will recognize the gentleman from North Carolina [Mr. HENDERSON] in support of the motion and the gentleman from Iowa [Mr. HEPBURN] in opposition to it.

Mr. HENDERSON, of North Carolina. Mr. Speaker, the internal-revenue taxes are war taxes and ought to be abolished. Such a system of taxation could never have been imposed upon the people of the United States in a time of peace. The system is tyrannical, unjust, undemocratic, and unrepugnant.

This Congress has lost the opportunity of repealing any portion of these taxes; the agitation of that question has been postponed until another Congress shall assemble. But the whole system is doomed and can not stand many years longer. The internal-revenue laws were never intended as police regulations to secure the peace, good order, well-being, and advancement of society; but their purpose has always been to obtain money due as taxes from the people to the Government. The Government does not now need the money. Its Treasury is filled to overflowing. The annual surplus is estimated to be \$120,000,000. This being the case, no necessity can possibly exist for using harsh, vindictive, and extreme measures for the collection of taxes.

The internal-revenue system has been a prolific source of frauds and perjuries. The American people—all people who love and enjoy liberty—have a great horror and detestation for hired spies and informers, who make a business of telling on their neighbors, so that they may obtain from the Government bribes and fees or money in'devious ways unknown to the public, or may gratify feelings of envy, hatred, malice, and revenge. The laws should not tolerate the employment by the Government of such shameless and treacherous midnight hirelings. If the courts had the power to tax all such informers with the costs of prosecutions, and to imprison them if the costs were not paid, this evil would be soon abated. The judges in many districts have adopted rules of court to prevent, as far as possible, under the law, oppression of the people on the part of the officers, but the courts can not prevent petty, frivolous, and malicious prosecutions, unless the law confers upon them the power of taxing costs and imprisoning the originators of such prosecutions, or unless the existing law shall be altered in many of its harshest provisions.

As a rule the circuit courts appoint good men as United States commissioners, but sometimes the desire to make and multiply fees induce some of these commissioners to issue warrants unnecessarily if not corruptly in hundreds of petty cases. And there are numbers of such commissioners in office whom the judges believe to be corrupt men; and yet there seems to be no effectual or speedy way to have them removed from office.

To give this House and the country an idea of what devices are resorted to by corrupt or covetous commissioners and officials to make fees, I insert here a letter from a United States commissioner to a deputy collector of internal revenue:

UNITED STATES INTERNAL REVENUE,
DEPUTY COLLECTOR'S OFFICE,
SIXTH DISTRICT NORTH CAROLINA,
Hendersonville, June 17, 1885.

MY DEAR SIR: I send you some affidavits. Please sign and return to me immediately, and greatly oblige me. I have seen some of the witnesses in the cases. There is no doubt about any of them. I will not issue a warrant in any case that

I do not know is a good one. Any case I send you to give me a warrant for I will always be sure of conviction. I was at Asheville the other day, but did not get to see you.

I am, as ever, your friend,

W. G. B. MORRIS.

WILLIAM YOUNG,
Deputy Collector, Asheville, N. C.

The following is the form of the affidavit referred to:

UNITED STATES OF AMERICA,
Western District of North Carolina:

This day personally appeared before me _____, a United States commissioner, _____, and maketh oath that he is informed and believes that Walker Hathby did on or about the 1st day of June, 188-, as well before as since this date, engage in the business of illicit distilling, removing, and retailing spirituous liquors without having complied with the law of the United States. _____, Deponent.

Sworn to before me this — day of _____, 188-.

_____, United States Commissioner.

The affidavit is to be signed and sworn to in blank in unlimited numbers by the deputy collector, and the commissioner guarantees, in advance of a knowledge of any of the evidence, without having examined a witness, and without having heard a word of explanation from the defendant or his counsel, that the person to be prosecuted shall be "surely convicted." The prisoner is to be convicted first and tried afterwards. I have heard of courts-martial organized to convict. United States commissioners who act in the manner above indicated do much worse. They guarantee to convict before the persons to be charged with violations of the law are arrested or even known or identified. What a mockery of law, of liberty, and of justice!

I send to the Clerk's desk to be read two letters showing some of the evils of the internal-revenue laws as they are enforced in the western district of North Carolina:

TREASURY DEPARTMENT, FIRST COMPTROLLER'S OFFICE,
Washington, D. C., November 29, 1886.

SIR: Referring you to rule 3 of "Rules of court to apply in revenue cases," western district North Carolina, I would respectfully ask of you if you consider the practice now followed in your district in issuing warrants for the arrest of violators of internal-revenue laws by United States commissioners to be in compliance with the spirit and letter of the said rule.

That your attention may be called more particularly to the practice referred to, I will cite the matter of the commissioner whose account I have before me, namely, J. W. Shook, United States commissioner, Pigeon Valley, N. C. Commissioner Shook has affixed to each fee-bill in his account a copy of the affidavit setting forth the offense with which the accused is charged, and upon which, I presume, warrant was issued. The said affidavits bear the following indorsements, to wit: "After examining the complaint, I am of the opinion that this case should be prosecuted" (signed by commissioner); also, "The commissioner will issue a warrant upon this affidavit if in his opinion there is reasonable grounds to believe the accused guilty" (signed by yourself as United States attorney).

As you are well aware, there is in the Treasury Department a bureau whose especial duty it is to see that the laws of the United States pertaining to the internal-revenue service are enforced, and to see that violators of the said laws are brought before the proper tribunal for trial. The court, I assume, appreciating the peculiar functions of this bureau and its various officials, has seen fit to promulgate the rule, above referred to, that its (the courts) officials might not trench upon duties clearly incumbent upon another (an executive) branch of the Government by acting as detectives, spying out violations and violators of the said laws.

Your rights, however, as a representative of the Department of Justice, have, in said rule, been respected in that you are therein "authorized to institute prosecutions under the internal-revenue laws."

By this proviso I understand you, and you alone of the judicial officers, have the authority to institute such prosecutions, and that you have not the right to delegate this power to any other judicial officer, however much you may value "his opinion" or discretion.

You would appreciate more fully the necessity for a strict compliance with an enforcement of this rule, I have no doubt, if you have more time at your disposal to devote to the examination of accounts rendered against the Government by the United States commissioners and deputy marshals—thereby noticing the number of warrants returned “not found;” the number of defendants “discharged” or found “not guilty;” and the number, which having been held for court, you are constrained to nolle prosequi, or the court, they pleading guilty, to impose only a nominal punishment. In either of these events the United States fails to be benefited, or the evil sought to be abated in any way remedied.

Heretofore this office has had occasion, in several instances, to call the attention of district attorneys to abuses existing in their several districts, and has invariably received hearty support and co-operation in suppressing the same.

The abuses of authority by court officials, to which your attention is herein called, are of a most grievous nature; and, though not criminal in their bearing, mulct the Government in an enormity of costs for prosecutions that are on their face worthless.

I beg to suggest, therefore, that it is in your power to materially assist this office in the correction of flagrant abuses. Into your hands has been intrusted the attorneyship of a district that has been a great burden to the Government.

Many abuses having existed therein, I feel assured that your especial attention needs but to be called to the matter to elicit from you a most hearty co-operation.

Very respectfully,

H. C. JONES, Esq.,

United States Attorney, Western District North Carolina, Charlotte, N. C.

M. J. DURHAM, *Comptroller.*

—
TREASURY DEPARTMENT, FIRST COMPTROLLER'S OFFICE,
Washington, D. C., January 25, 1887.

SIR: Replying to yours of the 13th instant, also of the 17th, I inclose you a copy of a letter addressed to the Attorney-General, also one to Hon. THOMAS D. JOHNSTON, M. C., and refer you to them as expressing the view and holding of this office on the matter concerning which you write.

In addition I would cite you the following figures, as shown by vouchers now on file in the Department, and your official report, as it appears in abstract in the annual report of the Commissioner of Internal Revenue for fiscal year 1886, pages 142-146.

First. From the vouchers filed by the United States commissioners it appears that fees are claimed in 2,337 cases in which warrants issued during the fiscal year 1886, the aggregate of fees claimed being \$22,101.69. There was paid by the United States marshal to witnesses on orders of commissioners, during fiscal year, \$10,873.45. If to this amount (\$32,975.14) be added the fees and expenses of the United States marshal for serving the warrants, expenses endeavoring to arrest, attendance before commissioners, &c., an approximate may be arrived at as to the cost of prosecutions before commissioners' courts. These prosecutions, as you well know, are, with few exceptions, against persons charged with violations of the internal-revenue laws.

Second. From the abstract of your official report, above referred to, it appears that you reported 587 criminal suits commenced during the fiscal year 1885-'86; none of these cases being on information or indictment in the first instance, but all against persons held to court by commissioners. These figures would indicate that about 75 per cent. of the complaints filed before commissioners are for some reason never prosecuted any further. Either they are dismissed, the warrants are returned “not found,” or some disposition is made of the case indicating that it is too trivial to be prosecuted further.

Third. From the abstract, and from your letter of the 13th instant, it appears that 465 criminal suits were terminated during the fiscal year 1886; 357 decided in favor of the United States; 67 against the United States; and 41 were dismissed, abandoned, or consolidated. Of the 357 suits decided in favor of the United States, fines and costs were paid in 37; the amounts paid to collectors (per page 146, Report Commissioner Internal Revenue) being, fines, \$265; costs, \$1,897.41. In 163 of these 357 cases sentence was suspended. (Page 145, Report Commissioner Internal Revenue.)

With these facts before me, I am driven to the necessity of concluding that a very small per cent. of the prosecutions begun before the commissioner are such as would be instituted were the cases first examined into by yourself or an official of the internal revenue.

To the end that these trivial prosecutions may be abated and this enormous drain on the Treasury (without any adequate results) may be stopped, I ask that you assist me in the rigid enforcement of the law (Rule 3).

Very respectfully,

H. C. JONES, Esq.,

United States Attorney, Charlotte, N. C.

M. J. DURHAM, *Comptroller.*

Judge Durham, the First Comptroller of the Treasury, is entitled to the thanks of the country for the common-sense view he has taken of the matter and for his efforts to protect the citizen from oppression, tyranny, and injustice, and the Treasury from paying extravagant, improper, and unnecessary costs and fees.

Col. Hamilton C. Jones, the district attorney, to whom these letters are addressed, is an able and distinguished lawyer and an honorable gentleman. He is an excellent officer and is doing what he can, under the existing law, to put a stop to the frivolous and petty prosecutions referred to by Judge Durham. But there can be no certain cure for the evils of the internal-revenue system except by substantial amendments of the internal-revenue laws. The bill under consideration—although it does not go far enough—is a step in the right direction, and should pass this House without opposition or objection. It proposes such beneficial modifications of the internal-revenue system as will relieve the people from some of the most odious and irritating features thereof. Sections 7, 8, 9, and 10 have been favorably reported to this House by the Judiciary Committee, and the whole bill has received the favorable report and approval of the Committee on Ways and Means.

In deference to that committee many provisions which I considered important have been eliminated from the bill, which has been framed with a view to avoid every reasonable objection to its passage.

It is expressly directed in the proviso to the third section that such regulations shall be adopted by the Treasury Department as will require that all the spirits manufactured shall be subject to the payment of the tax imposed by law, so that the members of this House who are opposed to a repeal or reduction of these taxes need not have any fears on that score. A few clauses of the bill have been inserted on the recommendation of the Commissioner of Internal Revenue. These are:

1. That portion of section 3 which authorizes the Treasury Department to establish special warehouses, in which may be deposited the product of any number of distilleries, to be designated for that purpose.

2. The fourth section, which authorizes the Secretary of the Treasury to extend the benefit of section 3255 of the Revised Statutes not only to those who distill brandy made from apples, peaches, and grapes, but also to distillers of brandy made from any "other fruits."

3. Section 5, which extends the provisions of the act of March 3, 1877, "relating to the production of fruit brandy," &c., to brandy distilled from "any fruit." The Commissioner says that the law, as it stands, practically excludes all fruit from distillation except apples, peaches, and grapes, and works a hardship in this respect which is entirely unnecessary and prevents the collection of a tax which is desired to be paid.

Sections 9 and 10 have been inserted at the suggestion of the district judge for the western district of North Carolina, and these sections authorize the judges to make reasonable provision for the comfort of persons imprisoned in a county jail where their health or life may be endangered by close confinement. Such power is conferred upon the courts of the several States, and the United States ought to be as merciful as the States. Necessity and humanity both frequently require the exercise of such power. There are a great many prisoners, especially those from the mountains, who break down under close confinement, and their health is thereby seriously impaired. The courts should certainly be clothed with power to prevent and to relieve such suffering. These two sections also give the circuit courts express power to

remove from office any commissioner appointed by said courts. The power of removal should be ample and summary. United States commissioners are usually good men, but the power of a bad and corrupt commissioner is incalculable.

The sections of the bill I will now proceed to explain are the ones which propose a real reform and modification of the internal-revenue system. Sections 1 and 2 remove all restrictions upon the sale of leaf-tobacco by farmers, and permit them to sell to any persons, whether licensed dealers or not. Under the existing law they can sell to none but licensed dealers. This is a great hardship. As a rule the tobacco farmers are men of limited means; they raise small crops, and they lose much time and no little money in getting their crops to a good and lawful market.

The nearest licensed dealer may have his place of business 30 or 40 miles away, and he may not have any competition; so that after reaching his destination the farmer frequently finds that he has carried his crop to a bad market. His profits being exhausted by his trip he loses heart and does not seek to better his fortunes by going to another market, but returns home a sadder if not a wiser man, and certainly with not any too good an opinion of a Government which imposes such burdensome, embarrassing, and unjust restrictions upon the sale of his tobacco—to say nothing of the tax—while every other agricultural product may not only be sold without any restrictions, but is free from any tax whatever.

There is no justice in this and no government and no party can retain for any length of time the good will of the people who are needlessly compelled to submit to such a vexatious and burdensome law. The tobacco tax is not needed and should be abolished; but the tax might be borne, unnecessary as it is, if the irritating and odious burdens imposed by the laws regulating the sale of the unmanufactured article were removed.

Section 3 abolishes storekeepers at distilleries which mash 5 bushels of grain or less per day, and requires the tax on spirits manufactured there to be levied and collected on the capacity of said distilleries. As a matter of fact, and the records show it, these distilleries have never paid a greater tax than upon the minimum capacity of said distilleries. The storekeepers, therefore, have never been of any real service to the Government in collecting its revenues. Section 6 prohibits the destruction or mutilation of stills; and, in the same connection, section 11 repeals the special taxes upon the manufacturers of stills. There are no features of the internal-revenue system more outrageous and detestable than the wanton "cutting up" or mutilation of stills, and pouring the poor man's "mash" upon the ground. Such property is seized and destroyed by the revenue officers, in a spirit of vindictive animosity, without apparent authority of law, under rules promulgated by the Treasury Department. And there has never been any necessity to justify such harsh measures. No good reason can be given why such wanton and summary destruction and waste of property should not be forbidden for the future.

Section 7 abolishes what are known as minimum punishments, and gives a discretion to the courts to impose any punishment for the violation of the internal-revenue laws not exceeding the limit authorized by the statute, whether such punishment be less or greater than the minimum mentioned in the law. There are many cases where the judge might properly impose a less sentence than the minimum pun-

ishment allowed by law, and would do so if he had the power. This section is intended to put an end to frivolous and malicious prosecutions, and to authorize the judges to be merciful and generous as well as just in the sentences they pass upon offenders, according to the circumstances surrounding each individual case. There is a harshness and severity about the internal-revenue laws, which the judiciary have long abhorred and revolted against. In proof of this, I ask the Clerk to read an extract from an opinion delivered by Mr. Justice Miller, in the case of the United States *vs.* Ulrici, decided in the eastern district of Missouri, in the year 1875, and published in 3 Dillon, 532:

It is very well understood, both by the courts and by the profession, as well as by every one interested in the matter, that the collection of the internal-revenue tax in this country has required a system of legislation for its enforcement harsh beyond everything known in our history. And it is equally well understood that, harsh as these measures are, they have been far from successful. Notwithstanding the heavy penalties denounced against crimes which go to defraud the Government of its revenue from internal taxes, and notwithstanding the minuteness and particularity in the description of these crimes, and notwithstanding all the aids which Congress has given by legislation to the enforcement of the revenue laws, they have been very imperfectly executed, and that the Government is cheated out of perhaps one-half of its revenue, especially from the tax on whisky and tobacco.

Section 8 is the remaining provision to be considered. No warrant is allowed to be issued upon an affidavit making charges upon "information and belief" alone, unless the affidavit is made by a collector or deputy collector of internal revenue or by a revenue agent; and before the warrant is issued the affidavit must be approved by the district attorney and written instructions given by him for the issuing of the warrant.

Every other warrant must be issued upon a sworn complaint setting forth the facts constituting the offense and alleging them to be within the personal knowledge of the affiant; and in such cases the United States commissioner is required to indorse upon the warrant and to enter upon his docket an adjudication that the examination, on oath, of the affiant shows that there is probable cause for charging the person prosecuted with the offense. The precautions required by these sections are not only necessary for the protection of the citizens from vexatious, petty, and frivolous prosecutions, but also to protect the Treasury of the United States from being compelled to audit and pay improper and fraudulent claims, fees, and costs.

The country is demanding a reduction of taxation and a reduction of the revenues. Unnecessary taxation is unjust taxation; and to exact from the people taxes beyond the requirements of the Government economically administered is robbery under the forms of law. I have favored in this body a reduction and revision of tariff duties. Both the great parties are equally pledged to such revision. I have also favored a reduction of internal-revenue taxation. But I am not willing to refuse a reduction in one case because I can not get a reduction in the other. I am always ready to vote for separate propositions looking towards a reduction either of the tariff or of the internal revenue. If I can not have all the reduction I want, I am willing to take such as I can get. An annual reduction of \$12,000,000 on the tariff and of \$28,000,000 on internal revenue would have been better than no reduction of the revenues.

Parties and factions are so constituted that I do not believe it possible to secure a reduction of an equal amount of taxation from the tariff and the internal-revenues at the same time. My opinion is, and I be-

lieve the people agree with me, that a revision of the tariff and of the internal-revenue laws can be attained from time to time by reforming the obvious and greater grievances of the two systems; and no man and no party should refuse to make such reforms because all the changes desired have not been attainable. I shall be glad to vote to "untax the clothing of sixty millions of people" at every opportunity which may be afforded me. I shall also feel it to be my duty to relieve these same people from the grievous burdens and oppressions of the internal-revenue system of taxation. The people demand relief from the exactions and oppressions of both systems.

Mr. HATCH. Will the gentleman allow me to simply correct one statement in his remarks? He said that under the present law the grower of tobacco could only sell it to a licensed dealer. I will call the gentleman's attention to the fact that in the Forty-seventh Congress an amendment to a bill which was considered in the House went over to the Senate with a proviso giving the farmer the privilege of selling his tobacco to the extent of \$100 per annum, but no more.

Mr. HENDERSON, of North Carolina. Yes, sir; I was aware of that. But the provision to which the gentleman refers has always been inoperative and is practically a dead letter. It is at the end of section 2 of the act of March 3, 1883, and reads as follows:

Provided, That farmers and producers of tobacco may sell, at the place of production, tobacco of their own growth and raising at retail, directly to consumers, to an amount not exceeding \$100 annually.

Mr. HATCH. And I want to say in this connection the paragraph in this bill removing all restrictions on the sale of leaf tobacco is sufficient to command my approval and my active and earnest support for the bill, and I hope every gentleman on this side of the House will vote for it and every gentleman on the other side also.

Mr. JOHNSTON, of Indiana. On that one point I will agree with the gentleman, and if you will strike out all of the rest of the bill we will all join you in voting for it.

Mr. HENDERSON, of North Carolina. I reserve the remainder of my time.

Mr. HEPBURN. Mr. Speaker, in my opinion this is much more important than the time chosen for its consideration would seem to indicate. I think that it would produce very marked changes in the revenue collections of the Government, and the bill ought to be entitled "a bill for the relief of moonshiners." The purpose of it and the main purpose in my judgment is to remove all restrictions upon their illegal traffic.

Mr. GROSVENOR. Let me ask the gentleman a question.

Mr. HEPBURN. Certainly.

Mr. GROSVENOR. Ought not the title be amended still further by adding "and to carry out the pledges of the Democratic party made in 1884 to the moonshiners of the mountain districts of the South?" [Laughter.]

Mr. HEPBURN. Mr. Speaker, the main purpose in my judgment of the promoters of this bill is to remove the watchful eye of the Government from the smaller distilleries of the country. He would be willing, I take it, the gentleman who is now urging the passage of this bill, to strike out every other clause if he could only secure that one that removes the watchfulness of the storekeeper from these country distilleries, the four hundred of them that are, or were a little while ago, in the State of North Carolina alone. It looks to me as if that

ought not to be done. What possible protection is there for the Government in the collection of the revenue if you remove the watchfulness of the storekeeper?

As to the provision with regard to leaf tobacco, I do not know that that is very important; although there seems to be no necessity for it. The gentleman from North Carolina [Mr. HENDERSON] tells us that it is to permit the small raiser of tobacco to dispose of his crop conveniently. The law permits him now to sell to the extent of one hundred dollars' worth.

Mr. BRADY. In a year.

Mr. HEPBURN. The complaint was made in the Forty-seventh Congress that neighbors could not exchange a single roll of tobacco without making themselves liable to the penalties of the law; and in their interest and at the earnest solicitation of gentlemen representing tobacco growing districts the modification I have spoken of was made; so that now to the extent of one hundred dollars' worth there is no restraint on them as to the sale of their product.

Mr. SKINNER. One hundred dollars for a whole year.

Mr. HEPBURN. Of course, for a year.

Mr. BRADY. And there is a monopoly now on the purchase of tobacco.

Mr. HEPBURN. Oh, we heard the changes rung on that six years ago about the monopoly there was. There is no monopoly. Any man can secure the right to buy and sell if he chooses to. There is no restraint on any individual, and whatever there is in the way of requiring these sales to be made to licensed dealers is in the interest of the Government. How are you going to protect the interests of the Government or collect the taxes if there is not some one who must have knowledge of the quantity raised?

Mr. JOHNSTON, of North Carolina. Does the gentleman from Iowa not know that this tax is never collected till the tobacco comes to the hands of the manufacturer and is manufactured?

Mr. HEPBURN. That, in my judgment, ought not to be changed. I believe it is wise to leave that as it is.

I will only say further at present that this bill in its entirety has never been considered by any committee. It is a sort of patchwork; a little taken from one committee and a little from another, and a great deal that has never had consideration by any committee.

I yield three minutes to the gentleman from New Jersey [Mr. BUCHANAN].

Mr. BUCHANAN. I am not particularly in love with the provisions of our internal-revenue system born of the necessities of the war. I am one of those who believe that when the exigency is passed which gave occasion for its existence, it also should have passed away. Our internal-revenue taxes are in fact the only remaining war taxes that we have.

As regards the first portion of the bill, it seems to me that it is not subject to any serious objection. It does seem to me that when a farmer raises tobacco he should be allowed to dispose of it without any tax being imposed on that particular product. And had the bill stopped at that point I should have given my voice and vote heartily in favor of it.

But unfortunately the bill does not stop at that point. It seeks by indirection to repeal the internal-revenue system as applied to the product of distilled spirits. I say by indirection, because, while it leaves

the tax on the distiller, it so removes the safegwards which the statute of to-day has placed around the production of that article as to practically make that statute valueless. It provides, in the first place, that all distilleries mashing five bushels and less per day would be exempt from the internal-revenue tax. I ask you if there is not there a door wide open for fraud. It also provides that distilled spirits made of certain articles shall be exempt from taxation. There is another door wide open for fraud. In certain cases it removes the supervision of the Government storekeeper. That opens another door wide for fraud. And so you go on through the bill, and you find that those provisions that from time to time have been enacted, recommended by the Commissioner of Internal Revenue as absolutely necessary to the due and perfect carrying out of the law taxing distilled spirits, are either removed or so essentially modified as to be of no earthly use whatever.

Mr. COWLES. Will the gentleman permit me to interrupt him?

Mr. BUCHANAN. I have only three minutes. The gentleman can make his speech in the time of the other side. If I had ample time I would yield amply.

The SPEAKER. The time of the gentleman from New Jersey [Mr. BUCHANAN] has expired. The gentleman from Iowa [Mr. HEPBURN] has seven minutes of his time remaining.

Mr. HEPBURN. I reserve that time.

The SPEAKER. To whom does the gentleman from North Carolina [Mr. HENDERSON] yield?

Mr. HENDERSON, of North Carolina. I yield three minutes to the gentleman from Kentucky [Mr. BRECKINRIDGE].

Mr. BRECKINRIDGE, of Kentucky. Mr. Speaker, this bill is composed of sections all of which except one have been in substance reported to the House by the Committee on Ways and Means or the Committee on the Judiciary. The first sections of the bill have no other purpose than to widen the market of the producer of leaf-tobacco by taking off the limitation which now exists and which prevents him from selling any larger amount than \$100 per annum, except to a person who has taken out a license as a retail dealer in leaf-tobacco, or to a manufacturer, or for exportation. So that the first part of this bill gives to the producer of tobacco, to his executor or administrator, if he dies before the crop is ready for sale, or to the guardian, if the producer be a minor, the right to sell his leaf-tobacco to whomsoever he pleases. The other sections of the bill are taken in *ipsisssimis verbis* from a bill reported unanimously by the Committee on the Judiciary (H. R. 7894), and they provide substantially that the warrants for violations of the internal-revenue law shall be obtained at the request of the collectors or deputy collectors of internal revenue.

Mr. REED. Was not that voted down by the House?

Mr. BRECKINRIDGE, of Kentucky. That has never been voted down.

Mr. REED. Or a similar proposition made by you?

Mr. BRECKINRIDGE, of Kentucky. No. The bill provides that the judge of the court in which a prisoner is convicted and sentenced to imprisonment for a period of less than one year shall, upon its being shown that the prisoner is in bad health, provide for his imprisonment; and it also provides that the courts which have the power to appoint commissioners shall have power to remove them.

The next provision of the bill is taken from House bill 8327, reported unanimously by the Committee on Ways and Means, and is, in sub-

stance, that all distilleries which mash 5 bushels of grain per day, or less, shall be taxed upon their capacity, and that all under a capacity of 25 bushels per day may be so taxed in the discretion of the Treasury Department. The object is this: Brandy distilleries of certain sizes are now taxed in that way, and it is supposed that the change will relieve the Government of some five hundred officers and some \$300,000 of expenses. It is to be done under regulations made by the Secretary of the Treasury —

The SPEAKER. The time of the gentleman has expired.

Mr. CABELL. I yield the gentleman one minute.

Mr. BRECKINRIDGE, of Kentucky. I am much obliged to the gentleman. I say, Mr. Speaker, this is proposed to be done upon the idea that it will not only not diminish, but that it will increase the internal revenue, because it will introduce into the system the plan now adopted exclusively in foreign countries by which the taxation is based upon the capacity of the still. Whether the still runs or not, it is taxed upon its capacity. It can make so much; it can make only so much; it has to pay on that capacity.

The fourth provision embraced in this bill is that the stills which are now, under the law, destroyed by the officers who seize them, shall not be destroyed but shall be sold by a judgment of the court. That is, that the person who is held to be an offender shall, before his property is destroyed, have his day in court. That is the whole bill.

The SPEAKER. The time of the gentleman has expired.

Mr. HENDERSON, of North Carolina. I yield one minute to the gentleman from New Jersey [Mr. McADOO].

Mr. McADOO. Mr. Speaker, I shall heartily support this measure; and I am glad that the Committee on Ways and Means appears disposed to support the bill in its present shape, for I regard it as tantamount to a confession that the system of collecting internal-revenue taxes is iniquitous. This bill will remove from that system many of the most odious features of the espionage now exercised and give to the growers of tobacco and the small distillers of the country the freedom to which they are entitled as American citizens.

Mr. Speaker, this bill brings before the House and the country the whole question as to the wisdom of continuing internal-revenue war taxes in time of profound peace. Without stopping here to state my views as to these taxes, I want to briefly notice the most specious objection made to their removal. Those who favor a substantial measure of free trade with other countries and those who are protected in liquor and tobacco monopolies immediately cry out as against the abolition of these taxes that we should tax home-made luxuries instead of foreign-made necessities; American alcohol instead of English flannel, American tobacco in place of Spanish pig-iron. This cry is intentionally unfair, and exposes the aims of those who give vent to it in press and forum. Demand for the repeal of the internal revenue rests primarily on the fact that the whole system is un-American and utterly unsuited to republican government. A tax law that has to be enforced in the homes of our own people at the muzzle of breech-loading rifles can not be defended in this country. It is, and has been in all our history, a constant source of irritation and annoyance. No law, even in England, is so detested as the internal-tax system. There, in past years, open revolt and bold frauds have followed its execution. Therefore, whence this rather mildewed and somewhat tiresome cry of opposition? Principally, as I have said, from free-traders and mo-

nopolists. The free-traders assume to fear that morals will suffer if the tax is taken off tobacco and whisky by the cheapening of these articles. In this they differ somewhat from the great manufacturers of these articles, who, presuming that the cheapening of these stimulants is the object sought, immediately tell us that taking off the tax will not benefit the consumer so far as price is concerned. It would, however, improve the quality of the liquor ordinarily sold, but this, I suppose, would be a great crime to free-trade morality. Quite singular, too, the professed and radical temperance people oppose the tax, because, in their opinion, it strengthens the traffic in stimulants. Now, leaving out the question of whether these stimulants are a necessity to many people, or whether taking off these taxes would lessen their price and increase their use, we can not get away from the main objection to them, which is that in our country direct or internal taxation is unpopular, and that indirect custom-house taxation has been, is, and always will be the American system. As far as the *morale* of the question is concerned I am certain no more tobacco would be smoked or liquor drank than is now, and that a great many millions of dollars would remain with the people and a heavy burden and oppression be removed from our farmers and people generally.

The next phase of the objection is the cry to take the tax off necessities. The necessities here meant are those made abroad. We successfully manufacture all kinds of necessities, including cloth and pig-iron, in this country, but there is no internal tax upon them. They are free all over this great continent called the United States of America. Our people who make and use them live better and higher and in an entirely different social and political state than those who make and use them in Europe. If the tariff tax represents the difference in cost of production between the two countries it protects American labor. If below it fails to protect; if above it cheats labor for capital; hence the necessity betimes of careful revision.

Take the tax off necessities of foreign make? Let us see. Champagne is a luxury—except, perhaps, at the gorgeous free-trade dinners given by the rich importers of New York, Chicago, and Boston—and we as yet make little of it in this country. American labor has little interest in its taxation or freedom. Now a coat is something we manufacture here and all use. Here is a foreign-made coat, and, by the way, not a very neat-looking product, and here is one of American manufacture. Now, you propose to cheapen the foreign coat in our home market, and compel the American to compete as to price, and you say you can do this and undersell the foreigner, and yet pay your American workmen the highest wages in the world. "Go, hie thee to a nunnery," or to the Patent Office, and take out letters on this most extraordinary discovery. High wages and low prices? Ninety-five per cent. of human labor in the coat, and you propose to pay for it the highest price in the world, and then undersell the cheapest price given anywhere. Millions of our people are engaged in making articles of necessity. The protective features of the tariff are retained because they make these articles, not because they use them.

This the working people thoroughly understand. Iteration of catch words in the press and oracular utterances of selfish foreign agents and speculative theorists do not mislead them. What you really mean to do is to reduce wages; to reduce unfair profits I am always ready, but to pull down labor, and finally, with ruined manufactures, leave ourselves undefended against the combinations of English and other

foreign capitalists I am opposed now and forever. This is not a political issue. Men in both political parties differ on this question. In some States both parties entirely agree from local and business causes. Many of the leading and staunchest Republican newspapers and men in the Northwest favor free-trade. Many of the New England manufacturers and people, jealous of the tremendous growth of Southern industries, are foolishly for free-trade. But the American people taken as a whole are overwhelmingly in favor of a judiciously-levied tariff as the sole source of national income. Can the Democratic party now in power formulate a correct measure of revenue revision? Undoubtedly. It has no hobbies. It is a broad, unsectional party. The extremists, whether protectionists or free-traders, must no longer consider this question personal property, for purposes of political agitation and personal aggrandizement, but must give way to conservative, patriotic men who are neither hobbyists nor lobbyists, but broad-minded American men in hearty sympathy with all the people of the whole country.

I only notice now this threadbare, factional objection to honest revenue reform. When this question comes more directly before the House, as it will, I will avail myself of the opportunity to consider the whole subject from what to me is a loyal American and common sense view; pausing only to say that a country which could not be enticed or deluded into the arms of the free-trade Delilah can meet the open bluster of a mock Sampson threatening ruin and panic unless the Treasury is unloaded in the interest of foreigners and their American agents. The dropsical Treasury will be relieved without stampeding the people or harming the humblest farmer, artisan, or laborer in our country.

In connection with this question, I will put before the House and the country these letters, which speak for themselves:

SPEAKER'S ROOM, HOUSE OF REPRESENTATIVES,
Washington, D. C., January 31, 1887.

GENTLEMEN: In accordance with the understanding between us yesterday afternoon, I have to-day consulted with the Democratic members of the Committee on Ways and Means in the House of Representatives for the purpose of ascertaining whether or not some measure for the reduction of taxation can be agreed upon which will receive the support of all our political friends in the House, and I am directed to request you to submit at your earliest convenience for our consideration some definite proposition.

There is pending upon the Calendar of the House a bill (No. 9702) introduced during the last session by Mr. RANDALL, which proposes legislation upon the subjects of the tariff and the internal revenue, and within the last few days we have been furnished with a copy of a bill which appears to be intended as a substitute to the one now pending, which also relates to both the subjects mentioned above. Whether you desire to make one or both of these bills or some other measure the basis of our action we are not advised, and being anxious to make every effort in our power to secure harmony and concert of action upon these important subjects, we respectfully submit the foregoing.

Yours, respectfully,

JOHN G. CARLISLE.

Hon. SAMUEL J. RANDALL, Hon. GEORGE C. CABELL, and others.

MR. RANDALL WILLING.

HOUSE OF REPRESENTATIVES UNITED STATES,
Washington, D. C., February 1, 1887.

DEAR SIR: Your communication of January 31, in pursuance of a previous understanding respecting an effort to reach a concurrence on some measure for the reduction of revenue, is now received.

The bill you refer to as a modification of or substitute for House bill 9702 of last session, embracing both tariff and internal-revenue tax reductions, is the measure which the friends with whom we are acting submit for consideration.

These gentlemen are prepared to consider in a friendly spirit, and with a view of uniting the party on a revenue-reduction measure, any modification of the proposed bill which the friends of other measures may have to present.

I inclose copy of bill referred to.

Yours, very respectfully,

SAMUEL J. RANDALL,
GEORGE C. CABELL,
For selves and others.

Hon. JOHN G. CARLISLE,
Speaker House of Representatives.

SPEAKER'S ROOM, HOUSE OF REPRESENTATIVES,
Washington, D. C., February 3, 1887.

GENTLEMEN: Your favor submitting for our consideration the bill recently prepared as a modification of our substitute for House bill 9702, introduced by Mr. RANDALL at the last session of Congress, was received by me late in the afternoon day before yesterday, and was at once submitted to the gentlemen mentioned in my first communication.

We have considered the measure as carefully as its comprehensive character and the limited time at our disposal would permit, and herewith submit it, together with the modifications and changes which, in our opinion, are necessary in order to do it acceptably, as a compromise measure to those who desire to secure material reductions in tariff taxes.

You will observe that we propose to add several articles to the free-list and to strike out of the bill every provision which increases the rates of duty now imposed by law upon imported goods. These increases are numerous and in some cases very material, as will be seen by the memorandum hereto appended. In our opinion the existing financial condition of the Government and the people does not demand, and would not even excuse, an increase in the rates of taxation upon any article embraced in our tariff or internal-revenue laws, and we can not, therefore, agree to support any measure which has that effect.

We propose also to strike out of the bill all provisions abolishing the internal-revenue tax on manufactured tobacco, snuff, and cigars, weiss beer, fruit brandies, and reducing the tax on distilled spirits from 90 cents per gallon to 60 cents, and the provision abolishing the tax on alcohol for use in the arts and manufactures. In lieu of these repeals and reductions we propose to repeal all statutes and parts of statutes imposing restrictions upon the sale of leaf tobacco by planters and farmers, and to so amend the internal-revenue laws as to dispense with the employment of gaugers and storekeepers at distilleries which mash 5 bushels of grain or less per day, and to permit such distilleries to pay tax only upon their surveyed capacity.

We also propose to so amend the internal-revenue laws as to prevent the destruction of stills and other apparatus seized for alleged violations of the internal-revenue laws, and so as to prevent the issuing of any warrant for alleged violation of those laws unless the affidavit therefor is first approved by the district attorney and written instructions given by him for the issuance of the warrant.

In lieu of the administrative part of the bill submitted to we propose to substitute the bill introduced by Mr. Hewitt, as finally revised and corrected at the Treasury Department and heretofore agreed upon by the Committee on Ways and Means, but not yet reported.

We find, upon examination, that the substitute which we recommend relates alone to the administrative features of the law, while that part of the measure submitted to you by us increases the rates of taxation. While we submit the accompanying modifications of the bill referred to us in the sincere hope that it will meet the approval and secure the united support of our political friends, yet in case it should not be agreed to by you and the gentlemen with whom you are acting, we respectfully submit the following alternative propositions:

First. If the reduction of internal-revenue tax upon distilled spirits is to be made a condition upon which you and the gentlemen acting with you will consent to the reduction of tariff taxes, then we shall insist that the rate of taxation shall be the same upon all kinds of distilled spirits.

Second. If the repeal of the internal-revenue tax upon manufactured tobacco, snuff, and cigars, in whole or in part, is to be made a condition upon which you and the gentlemen with whom you are acting will be willing to agree to a reduction of tariff taxation, then we shall insist that in the same bill an equal amount of reduction shall be made in the revenue derived from customs, and that this reduction shall be made upon such articles as those with whom we are acting shall indicate.

Third. We are willing to submit the measure which you have referred to us to a caucus of our political friends for its consideration, all parties to be bound by such action as it may take upon the subjects to which this bill relates.

Fourth. In case none of the suggestions hereinbefore made are accepted by you and the gentlemen with whom you are acting, we are willing at any time, upon reasonable notice, to support a motion to go into the Committee of the Whole on the state of the Union for the consideration of House bill 9702, introduced by Mr. RANDALL at the last session of Congress and now on the Calendar.

Very respectfully,

JOHN G. CARLISLE.

Hon. SAMUEL J. RANDALL, Hon. GEORGE C. CABELL, and others.

HOUSE OF REPRESENTATIVES, WASHINGTON, February 5.

DEAR SIR: At the instance of many Democratic members of the House, we appeal to you most earnestly to recognize, on Monday next, some Democrat who will move to suspend the rules for the purpose of giving the House an opportunity of considering the question of the total repeal of the internal-revenue taxes on tobacco. Many Republican members, we have reason to believe, are anxious to make such a motion. We believe the country is ready for the repeal of these taxes, and that a large majority of the House will so vote when an opportunity occurs. For a Republican to make the motion would give the Republican party all the credit accruing therefrom, and would almost certainly cause the loss to the Democracy of not less than two Southern States at the general election in the year 1888. This is an isolated proposition, and we believe will command more votes than any other measure pending before the House looking toward a reduction in taxation; and favorable action on this proposition will not interfere with other efforts that are being made to reduce the burdens of the people.

Yours, respectfully,

GEORGE D. WISE.
JOHN S. HENDERSON.
SAMUEL J. RANDALL.

Hon. JOHN G. CARLISLE,
Speaker of the House of Representatives.

MR. CARLISLE'S REPLY.

SPEAKER'S ROOM, HOUSE OF REPRESENTATIVES,
Washington, February 7, 1887.

GENTLEMEN: Your favor of the 5th instant requesting me to recognize some Democrat "who will move to suspend the rules for the purpose of giving the House an opportunity of considering the question of the total repeal of the internal-revenue tax on tobacco," was duly received and has been carefully considered.

A week ago, in compliance with the request made by you and other gentlemen, I consulted fully with the Democratic members of the Committee on Ways and Means for the purpose of endeavoring to formulate some measure for the reduction of taxation which would meet the approval of our political friends, and enable us to accomplish something practical in that direction during the present session of Congress. The bill which you then submitted for their consideration proposed legislation upon both branches of our revenue laws, and on the 3d instant it was returned to you with such modifications and changes as were necessary in order to make it acceptable to the gentlemen to whom it had been submitted.

In order, however, that our efforts to secure reduction of taxation might not fail on account of our inability to agree upon a measure in advance, we at the same time submitted certain alternative propositions, some one or more of which we hoped might be acceptable to you. Among other things we proposed to submit the entire subject to a caucus of our political friends, with the understanding that all parties would abide by the results of its action; and in case that course was not satisfactory to you, we informed you that we would at any time, upon a reasonable notice, support a motion to go into Committee of the Whole on the state of the Union for the purpose of considering House bill 9702, introduced by Mr. RANDALL at the last session. That bill relates to internal revenue, as well as tariff taxes, and proposes to repeal the entire internal-revenue tax on manufactured tobacco, snuff, and cigars. We have received no response to that communication, and I consider that it would not be proper, under the circumstances, for me to agree to a course of action which would present for the consideration of the House a simple proposition for the repeal of the internal-revenue tax on tobacco, snuff, and cigars, to the exclusion of all other measures for the reduction of taxation.

Sincerely hoping that some plan may yet be devised which will enable the House to consider the whole subject of revenue reduction,

I am, very truly, yours,

J. G. CARLISLE.

Hon. GEORGE D. WISE, Hon. JOHN S. HENDERSON, Hon. SAMUEL J. RANDALL.

WASHINGTON, February 8, 1887.

DEAR SIR: We regret exceedingly that you could not see your way clear to give recognition on yesterday to some Democrat to enable him "to move to suspend the rules for the purpose of giving the House an opportunity of considering the question of the total repeal of the internal-revenue tax on tobacco." Your refusal to give this recognition, together with your letter of the 7th instant, deserves more than a passing notice. If two-thirds or more of the House are in favor of such repeal it was a grave responsibility for you to oppose such a large majority of the Representatives of the people. Assuming, however, for the sake of the argument, that the friends of the proposition constitute a less number than two-thirds, their strength is certainly such that they ought to have been permitted to test the sense of the House upon the question, especially since the country is watching with intense interest the action of the House in respect thereto, and the constituents of a large number of the members of the House have been urging them to obtain, if possible, a consideration of this subject.

We do not wish to be misunderstood. We earnestly desire from a party standpoint that recognition should have been given to a Democrat to make the motion, but we would vote cheerfully for the proposition whether made by a Democrat or by a Republican.

You assume in your letter to us that we ignored your communication of the 3d instant, and had deliberately failed to make a response thereto. Our friends did not have an opportunity of considering that communication until Friday evening, the 4th instant. It was of such a character as to require more than a formal reply. We called at your hotel the next day, Saturday, but, through no fault of yours or ours, we did not succeed in obtaining an interview until the day after.

We believed that the friends of the repeal of the tobacco tax were so strong in the House that we would save to the oppressed tax-payers of this country an annual reduction of taxation to the extent of \$28,000,000 if the motion for repeal could be made in the House on Monday of this week, the latest day when such a motion, to be effective under the rules, would be in order during the Forty-ninth Congress. The motion, if made during the last six days of the session, would almost certainly be too late to secure favorable consideration for the question in the Senate.

We did not anticipate refusal of recognition for the purpose intended. We understood you to say to us verbally that if you gave to any one of our friends the desired recognition, fair play all round would require you to give other Democrats an opportunity to make a like motion to pass some distinct proposition having a relation to a reduction of the tariff duties. To this we assented. You instanced as one such proposition the putting of salt on the free-list. We think that a revision of the tariff and of the internal-revenue laws can be attained from time to time by reforming the obvious and greater grievances of the two systems, and that we should not refuse to make such reforms because sweeping changes have not been practicable.

The country is expecting to obtain from this Congress relief from the grievous burdens of taxation. If some of us can not get all we want we should take what we can get. Our single proposition for the repeal of the tax on tobacco was not intended and can not fairly be construed as intending to exclude from the consideration of the House "all other measures for the reduction of taxation." We wished to obtain consideration for that proposition, but we were not pressing for the reduction of the internal-revenue taxes to the exclusion of other measures for the revision and reduction of the tariff.

A Democratic caucus can not successfully deal with "the whole subject of revenue reduction" at this late stage of the session. That suggestion comes too late. If the caucus could have controlled the legislation of the Forty-ninth Congress from the beginning the country might have been much better off. If the House was considered competent to deal with the silver question, with the pension question, and with the oleomargarine question, free from the dictation of a Democratic caucus, we think it ought to be competent to deal with the question of a reduction of taxation. The caucus ought not now to be invoked to justify a policy of delay and non-action on this subject.

We sincerely hope "some plan may yet be devised which will enable the House to consider the whole subject of revenue reduction" and revision "in a spirit of fairness to all interests," and in accordance with the letter and spirit of the platform of the national Democratic party adopted at the convention held at Chicago in 1884; and we assure you that we are ready to meet any of our Democratic associates who are prepared to treat with us on such basis.

JOHN S. HENDERSON,
GEORGE D. WISE,
SAM. J. RANDALL.

Hon. J. G. CARLISLE,
Speaker of the House of Representatives.

J. D. Wise

GENTLEMEN: Your communication returning substitute for House bill 9702, which was submitted for the consideration of yourself and those holding similar views respecting tariff revision, as a basis of compromise, with a view to the passage of some measure to reduce the revenues, has been received, accompanied with various proposed additions and modifications, and, after consultation upon the matters and suggestions therein contained, we respectfully submit the following in reply:

The gentlemen present at our recent conference, representing States South, West, and North, were led to hope that the way had finally been opened for an agreement on a measure that could be generally supported by our political friends, and we sincerely regret, in view of the importance of the adoption by this Congress of some measure that would materially reduce the revenues and prevent the further accumulation of a Treasury surplus, that differences so wide as appear in your communication should still exist.

It was hoped that a basis of compromise could be reached without requiring of any one a sacrifice of principle or of convictions entertained on the subject of tariff and internal taxes. To do this it is evident that those things respecting which radical differences exist in the minds of men must be excluded from a bill intended as a compromise measure. It was believed there could be found room inside of these limits for an agreement on a list of articles to be remitted to the free-list as well as upon many on which the tariff could be reduced, thereby effecting a material reduction of the revenues without injuring or endangering any important industries or impairing the earnings of labor in this country. It is believed yet that such a measure ought to be agreed upon and carried through the House at this session.

As to the items in the proposed bill on which it is claimed that an increase in the tariff would result, we have to say that the apparent increase arises in most instances from a change from ad valorem to specific duties, made in accordance with recommendations from the Treasury Department. The principal object in making duties specific where they are now ad valorem is to prevent the deception and dishonesty practiced by undervaluation: and while, in fixing what is deemed to be fair specific equivalents, and apparent increase may arise, it is believed to be apparent only and not real, as shown in the following references to the several articles referred to in your letter.

However, on all these matters, inasmuch as the proposed bill is not intended to be a revision of the tariff, but a bill for the reduction of revenues and the correction of certain inequalities only, we think there will be no difficulty in agreeing either to strike out of the bill such articles, or to reduce the proposed rates so as to insure no increase in the actual duties in any case. A careful examination of the list referred to shows, we think, that except as to a very few articles you are in error in the statement that the duty is increased.

1. Coal-tar dyes. The proposed rate is no more than the equivalent of the existing rate based upon actual tests of importations as entered at the custom-house. As it is well understood that these articles are generally undervalued, the rates proposed are really a considerable reduction of the present rate if the same was honestly collected.

2. Insect powder. By reference to the reports of the Bureau of Statistics you will see that two rates of duty are not collected on this article (which is not enumerated in the tariff) namely, 10 per cent. and 20 per cent.; whereas the rate we propose is substantially the equivalent of 10 per cent. only, and is therefore a reduction.

3. Logwood and other extracts. These include logwood now paying 10 per cent. and sumac, hemlock, and other extracts now dutiable at 20 per cent. The specific rate per pound proposed in the bill is the equivalent of about 14 per cent. of the aggregate entered value of all these articles.

4. Antimony. The specific rate is substantially the equivalent of the existing rate.

5. Castile soap. While the rate proposed according to the values reported by the Bureau of Statistics is about 1 per cent. only above existing rate, it is considerably less than that rate upon the article when correctly appraised.

6. Horses, cattle, hogs, and sheep. The rates proposed on horses, cattle, and hogs equal 12 per cent., 20 per cent., and 5 per cent. respectively, on the entered value of these animals free and dutiable, and are, therefore, less than the existing rate imposed on those which now pay duty. The rate on sheep is 3 per cent. higher than that now imposed. The average rates proposed on all live animals are less than the present rate.

It is understood, however, that your objection is made chiefly against our proposition to make all these animals dutiable; and yet there is incorporated in the administrative measure you propose to us a provision limiting the exemption on such animals to those only of superior race or blood designed to improve the stock of the United States. This, if properly enforced, would impose a duty on nearly all the animals now imported free, and at a higher rate than we propose.

7. Beans and peas, green or dried. The rate proposed is equal to only about 14 per cent. of the entered value, while these articles not being provided for by name, it is a question of dispute whether they are dutiable at 20 per cent. as garden seeds, or at 10 per cent. as vegetables, both rates being collected at the various custom-houses. In any event the rate proposed is not in excess of 10 per cent. of the true average value during the past year.

8. Beans and peas preserved. The specific rate proposed is less than the existing rate of 30 per cent. ad valorem honestly collected.

9. Ginger and ginger root, and citron candied, &c. The rate proposed on these articles is considerably less than the existing ad valorem rates, even at the entered value of the merchandise.

10. Olive oil. With respect to this article it is to be said that while the proposed rate on salad oil is apparently somewhat higher than the existing rate, it is well known that the entered value does not represent the true value on account of under-invoicing and large reduction for charges, &c.; so that the rate we propose is not in reality above 25 per cent., and is believed to be less. At the same time the rate we propose on the oil for manufacturing purposes is only about 11 per cent. of the value as entered last year.

11. Oranges, lemons, and limes. The proposed rate on oranges in whole or half boxes is the same as at present. This scale of rates is, however, extended so as to include all the sized packages in which this fruit is usually imported, with an additional rate of \$1.75 per 1,000, instead of \$1.60 in one case, and 20 per cent. in another. There is no substantial increase in the duty, but the rates are made uniform so as to prevent evasions now so common and vexatious. The rates proposed on lemons are a considerable reduction from existing rates, except as to those imported in bulk, which it is well known are brought in in fraud of the revenue. The rate on limes is not increased.

12. Grapes. The rate proposed is not more, but is really less than the existing rate, if fairly collected on the true purchase price of the article.

13. Cherry juice, prune juice, &c. The rate we propose on this merchandise is for the purpose of excluding the importation. This is also the manifest purpose of the provision on page 11 of your administrative bill.

14. Cement. The rate proposed on cement is based on the value of the article in barrels as it is bought and sold, and on that basis is less than the existing rate.

15. Fish glue and isinglass. On this article the rate we propose is less by 2 per cent. than the existing rate upon the entered value, as shown by the statistical reports.

16. Hamburg edgings, &c. While you have accepted the provision for silk and leather gloves which we have adopted as recommended by Assistant Secretary Fairchild you reject his proposition incorporated in our bill for Hamburg edgings, embroideries, &c., the rates on which, as stated by him to the chairman of the Committee on Ways and Means, are now greater than now imposed; but are, according to the statements of experts, considerably less.

17. Jute, hackled. It can not be contended that the rate proposed on hackled jute is an increase, when it is proposed at the same time to make raw jute free, and to impose this duty, equal to less than 10 per cent., upon the article in an advanced condition, simply for the protection of American labor. You are aware that the present rate on raw jute is 20 per cent.

18. Jute yarns. The proposed rate of 1 cent per pound on jute yarns is less than the existing rate of 35 per cent., even upon the entered values of last year, which are known to be abnormally low and less than the foreign market value.

19. Wool of class 3. The equivalents of the existing rates of 2½ cents and 5 cents upon wool of class 3, based upon the entered quantities and values for the last fiscal year, and 26.76 per cent. and 29.14 per cent. respectively. While the equivalent of 3 cents per pound as proposed upon the aggregate entered value of the importations is 28.66 per cent. The question whether wool entered at 2½ cents is not properly dutiable at 5 cents is a constant subject of contention, and many advances are made by the appraisers to the higher rate. If these advances are taken into consideration, it will be found that the rate now collected exceeds that proposed.

With respect to taggers iron, steel, wire rods under No. 5 wire gauge, glucose, cod-liver oil, and seal oil there is an apparent increase of rate based on the entered values. We assert, however, that this results from the fact that the merchandise is enormously undervalued in the invoice, a fact which is proven as to taggers iron and wire rods by a comparison of the reported values of these articles with the value of merchandise of the same general class subject to specific rates. For instance, iron and steel wire rods not lighter than No. 5 pay six-tenths per cent. per pound, equal to 36 per cent. ad valorem. Steel wire rods lighter than No. 5, which cost more to produce and are more valuable, should pay a duty as proposed of eight-tenths per cent. per pound, which is relatively a no higher rate than that imposed on the coarser quality. These wire rods are

now nominally dutiable at 45 per cent., and the specific rate provided would be a reduction of the present duty honestly collected.

As to glucose, cod-liver oil and seal oil, duties are now imposed only on part of the value, owing to large reductions for packing, &c., which form a large proportion of the cost of the merchandise. If duties were collected on the full value paid, the apparent increase of rates would disappear.

Bronze powder, clay pipes, cotton and woolen clothing, corsets and worsted cloths. The increased rates proposed on these articles are for the purpose of correcting glaring inequalities in the present law, seriously hurtful to domestic industries engaged in their production.

As to bronze powder, the present duty is only 15 per cent., while the duty on the copper from which it is made is equal to about 47 per cent., which is 17 per cent. more than the ad valorem equivalent of the specific rate proposed.

The rate proposed on clay pipes is considerably less than that imposed on other pipes and smokers' articles. This is an unreasonable discrimination. While you object to the proposed correction of this inequality, you propose, in the administrative bill you have adopted, to extend to certain manufacturers of paper (the existing rate of which is 15 per cent.), used as smokers' articles, the high rate of 70 per cent. now provided for other pipes and smokers' articles.

As to worsted cloths, you are aware of the inequality of the rates imposed by existing law as between such manufactures and woolen cloths. You are doubtless also aware of the injustice to the domestic manufacturers of levying a higher rate of duty upon the wool from which worsted cloths are made than is levied upon that same wool in the manufactured article. The specific rate on these cloths valued at less than 80 cents per pound ranges from 10 cents to 24 cents per pound, and the ad valorem rate is 35 per cent., the latter being intended to cover the difference in the cost of labor here and abroad.

Those in the trade inform us that it requires upon an average fully 3 pounds of raw wool to make a pound of cloth. This wool is subject to a duty of 10 cents per pound, and there is therefore exacted from the domestic manufacturer 30 cents per pound upon his raw materials, which when imported in the form of finished cloth is subject to a duty of only 10 to 24 cents per pound. The result has been the gradual destruction of the worsted manufacturing industry in this country, and enormous and constantly increasing importations of worsted cloths.

We can not comprehend the process of reasoning by which you accept the existing rate of 40 per cent. ad valorem as a proper duty upon common cotton laces, insertings, window curtains, damasks, &c., used by the masses, and insist upon retaining a rate of 10 per cent. lower upon the fine linen laces used by the wealthy, and upon ladies' corsets of all qualities, including those made of silk.

But, we repeat, that differences can be adjusted by reducing further specific equivalents, or by striking them out of the bill and leaving them as they are now.

Second. Certain of the things which you ask to be placed on the free-list, as proposed in the Morrison bill, reported from the Committee on Ways and Means at the last session, including lumber partly worked, all wools, unwashed, washed, and scoured, fish, salt, &c., raise at once those vital questions which have heretofore prevented harmonious action on the tariff question. As many of us believe that such a step, if carried to its logical conclusion, would be destructive of very many of our most important agricultural as well as mechanical industries, and in this matter, representing not only our own convictions but the interests of the people we represent, we could not, of course, make this concession, and we did not expect to be asked to make it.

The importation of wool, even under the existing rates of duties, has increased by nearly \$5,000,000 during the last year and manufactures of wool by over \$8,000,000, showing that the duty on these articles is rather below than above the competing line.

As to fish, we think it an unhappy time, since this has now become an international question between Canada and the United States, to forestall negotiations by admitting Canadian fish free to the markets of the United States.

With a view to saving our forests we have proposed to admit logs, timber, and lumber unworked free, but in order to secure to labor the same advantages in the lumber industry as in other industries we have proposed to retain a duty on lumber when advanced to any stage of manufacture.

Third. With respect to the proposition to adopt a modification of the Hewitt bill, in place of the administrative sections of the bill proposed by us, it may be stated that the latter contains all of the administrative sections of House bill 7652 (with certain verbal modifications) favorably reported by the Ways and Means Committee at the first session of the present Congress, except the section extending the warehousing period, &c., which we did not adopt. Certain of the provisions since recommended by the Secretary of the Treasury have been added also, together with certain additional provisions which we have decreed needful and think ought to be adopted.

You say that the substitute which you recommend relates alone to the administrative features of the law, while that part of the measure submitted by us increases the rates of taxation. A careful comparison and analysis of the two measures does not, we think, sustain this statement. On the contrary, the administrative measures proposed by us make certain distinct reductions of rates which the bill presented by you does not, and in some instances it increases the rates.

In section 12, page 3, of your measure is a provision including certain coal-tar products, namely: toluidine, xylidine, &c., at 20 per cent. ad valorem, which articles are included on the free-list of our bill.

On page 6, in the same section, there are certain provisions for earthenware, tiles, and small glass mirrors by which the present rates are retained on the articles mentioned, whereas on pages 25, 26, and 28 of our bill there are provisions of the same substantial purport, but reducing the rates of duty by 5 per cent. on the several groups of articles, which effects a reduction in the revenue approximating \$250,000.

In the same section (page 7) of your bill there is a provision modifying tariff paragraph 216 of the metal schedule by which the present rate of 45 per cent. on manufactures of various metals is retained, while on page 29 of our bill there is a provision modifying the same paragraph in important and needful particulars, and reducing the rate on the same manufactures 5 per cent. ad valorem, thus decreasing the revenue by nearly \$200,000 annually.

In the proposed modification of tariff, paragraph 269 of your bill, relating to starch, you retain existing rates of 2 cents and 2½ cents per pound on the articles, while on page 9 of our bill there is a provision, which you accept, reducing the rate on the different kinds of starch to 1 cent and 2 cents per pound respectively. You also propose in the same provision to include as dutiable as starch "all substances produced from the *Jatropha manihot*." Is it not obvious that it would be impossible for the custom officers to determine whether an article in the form of starch is produced from the *Jatropha manihot* or from some other source? May not the article on the free-list commercially known as "Tapioca" be in fact the product of the root of the plant referred to?

On page 13 of your bill there is a provision modifying paragraph 790, which limits the free admission of "soap stock" to such as is fit only for use as such. On pages 39 and 40 of our bill there is a provision on the same subject which enlarges the exception to "grease and oils" not only used in soap making, but also to grease and oils used in wire drawing and for stuffing and dressing leather, which will effect a considerable reduction in taxation and revenue.

On pages 33 and 31 of our measure there is a provision relating to cotton goods, the effect of which would be to reduce the rate of duty on certain cotton cloths from the equivalent of from 75 per cent. to 200 per cent. ad valorem to 35 per cent., which provision is not found in your measure.

On page 34 of our bill there is a provision modifying paragraph 336, whereby the rate of duty on certain manufactures of flax, not specially enumerated, is reduced from 40 per cent. to 35 per cent. ad valorem.

The only provisions embraced in our administrative sections, not hereinbefore referred to, by which rates are advanced at all, which are not identical with provisions in your bill, are those relating to "britannia ware," &c. (page 30), and to sugar drainings and sweepings (page 31), which are unimportant and will have no material effect upon the revenues.

The most important difference between the administrative features of the two measures is the section relating to coverings (section 4 of our bill), which, although embodied in the bill favorably reported by the Committee on Ways and Means at the last session, is now omitted from your bill. This section provides for the correction of the unfortunate phraseology of section 7 of the tariff act of March 3, 1883. As is well known, that section was intended to exempt from duty charges for the packing-cases used for the transportation of merchandise, but under the rulings and opinions of the Supreme Court and the Attorney-General a large part of the value of the merchandise as purchased by the importer, or as shipped by the consignor, is held to be non-dutiable under that section.

The correction of this legislative blunder was regarded by the Treasury Department as the most important and essential feature of the bill proposed by Mr. Hewitt, and the section adopted in the bill H. R. 7052, before mentioned, was the result of correspondence between Mr. Hewitt and the distinguished Assistant Secretary of the Treasury, Hon. C. S. Fairchild, then Acting Secretary, and who has the immediate direction of custom matters. In his letter to Mr. Hewitt discussing the various administrative sections of the "Hewitt bill," Mr. Fairchild says, with reference to the section under consideration:

"Section 4. This section I regard as the most important of the administrative features of the bill so far as relates to the revenue, and as essential to the fair and orderly administration of the tariff. Its purpose is to secure the assessment of duties upon substantially the same basis as it is believed was intended

to be established by the section that it repeals and upon which the Government had levied duties prior to the decision of the Supreme Court in the *Obertauffer* case. I believe that if it shall become a law it will accomplish this result, and will afford a just, safe, and uniform rule for the assessment of duties on all 'packed' merchandise, save vast trouble to all concerned, prevent litigation, and secure the revenue from immense loss consequent upon the decision mentioned."

In his late report on the "collection of duties," Secretary Manning commends to Congress a consideration of the suggestions made in reports to him on this subject by Assistant Secretary Fairchild and other officers. These reports are appended to the Secretary's report, and contain such facts with regard to the practical operation of the law as it is now construed as to demand an immediate remedy by Congress.

Mr. Fairchild in his report, after citing the many difficulties growing out of the interpretation of the seventh section of the tariff act of 1883, says:

"But the law requiring as it now does the appraising officers to find the market value of articles at the time and place of exportation, and at the same time directing them to find such value in a condition in which the articles are not sold at that time and place, or at any time or place, presents difficulties which call for an amendment of the law. At present every advantage is offered to the unscrupulous and every disadvantage to the conscientious importer."

The testimony of the other officers referred to by Secretary Manning is to the same effect, and shows the impracticability of administering the tariff uniformly and equitably under the existing law, and such is the view held by the chief customs officers and experts at the principal ports.

The Secretary of the Treasury has repeatedly, urgently, and recently recommended to Congress the adoption of specific rates of duty whenever practicable, not only on account of the troubles growing out of the interpretation of the sections of the law above referred to, but generally in the interest alike of orderly administration and of honest traders.

In this view we have, in our proposed bill, changed the rates on a number of articles from *ad valorem* to specific. This has been done after the most careful and painstaking inquiry, the articles being among those particularly affected by the operation of the section in question. The adoption of these rates would remove the articles from the operation of that section, so that as to them the enactment of the proposed remedial section would in no sense affect the rate of taxation.

It is believed, therefore, that upon careful comparison of the two bills the differences ought not to prevent an agreement on the administrative features of our bill.

4. In striking from the proposed compromise measure the repeal of the tobacco tax, the tax on fruit brandies, alcohol used in the arts, Weiss beer, and the alternative proposition to reduce the tax on all distilled spirits from 90 cents to 60 cents a gallon, you eliminate from the bill all propositions to reduce internal-revenue taxes, except the retail license proposition, and this you do not in terms agree to. The repeal of the tobacco tax, now so urgently demanded, would take off, in round numbers, \$28,000,000; the fruit-brandy tax—on the basis of the receipts of last year—\$1,400,000. Free alcohol in the arts will also materially reduce the receipts from this source. If the proposition to reduce the tax on all distilled spirits to 60 cents be adopted, a reduction of revenues from this source alone, if proportionate to the reduction of the tax, would amount to over \$20,000,000.

In lieu of these provisions in our bill you propose to repeal all statutes imposing restrictions upon the sale of leaf-tobacco by farmers, and to modify the laws relating to storekeepers and gaugers at small distilleries, and the destruction of stills; also to modify the administrative features, of the law relating to the issue of warrants, &c. While to all these proposed modifications of the present law we readily assent, we do not see in them alone how the revenue is to be reduced.

Our object, in the matter of internal taxes, is twofold: first, to reduce the revenues, and, second, to relieve the people of vexatious and inquisitorial methods of taxation, and to do this without offering temptations to frauds or to evasions of the law. Furthermore, in proposing the abolition or reduction of internal-revenue taxes, we believe we are acting in harmony with the principles and declarations of the Democratic national platform. The internal-revenue tax in that platform is declared to be a war tax, and the repeal of crushing war taxes is demanded. It has, moreover, been the policy of our Government after each war to abandon this form of taxation first, as evidenced under the administrations of Jefferson and Jackson; and a tax that requires an armed force to execute it can never be popular in a free country.

Fifth. Your demand, that if the repeal of the tobacco tax, or other internal taxes, in whole or in part, are insisted upon by us, then you and those acting with you will insist that "in the same bill an equal amount of reduction in rev-

enue derived from customs" shall be made, if it presented otherwise debatable ground for a compromise, seems to us to forestall such action by your further demand that the reduction in the tariff shall be made upon such articles only as those with whom you are acting shall indicate.

This is equivalent to saying, at the outset, that those holding different views from your own and the views of those acting with you shall be precluded from having any voice in determining what things duties shall be reduced on. But, in the first place, internal taxes and customs have never stood on equal ground in our system of taxation. Tariff taxes have been always our chief reliance for revenues; internal taxes have been the exceptional taxes. As stated in the last national party platform, "from the foundation of this Government taxes collected from custom-houses have been the chief sources of Federal revenue; such then must continue to be."

In the next place we hold it next to impossible to so adjust tariff rates as to secure a definite reduction of revenues such as the repeal or reduction of an internal-revenue tax will produce. When a direct tax is repealed we know what the loss to the revenue will be. So when dutiable articles are placed on the free-list; but a reduction of the rate of duty may be followed by an increase in revenue, and not a decrease.

Between the two extremes of free trade on the one hand and a prohibitory tariff, or no trade on the other, there are three principles and only three, one of the other of which must govern when duties are intelligently laid. These may be represented by three lines, first, a horizontal line, representing an even rate laid upon all imports for the purpose of revenue only; next, an irregular line representing maximum revenue, and the third, the line representing the difference in the cost of production arising out of the different conditions under which production is carried on in this and other countries. This line is always and necessarily above the line of maximum revenue.

Now it is clear that a reduction of duties from the prohibitory line or from the competing, or difference in cost line, to the line of maximum revenue, will necessarily result in an increase of the revenues. A reduction in the tariff below the line of maximum revenue will decrease revenues; but in what proportion it is impossible beforehand to tell; on the contrary, an increase in the tariff rate above the line of maximum revenue will diminish revenues, until the prohibitory line is reached.

We are ready to join in reducing the tariff on all articles that are above the line of difference in cost of production, and on those things on which the rate of duty is now above that line, thus permitting monopolies to be formed to arbitrarily raise prices to the consumer, without benefiting labor. We think it the imperative duty of Congress to reduce the tariff so as to prevent the possibility of monopoly combinations to put up prices above the competing point.

Labor has no interest above the competing line, or line that marks the difference in cost of production; but up to this point wage-earners are vitally concerned, and we believe that only by maintaining duties up to this line on imports in the production of which there is no competition between this and other countries, can labor continue to receive the larger share of what it produces, which our industrial system affords as compared with the industrial systems of other countries. The continued importation of any competing product, notwithstanding the tariff, is proof that the duty is not above the line of difference in cost.

Our national party platform, recognizing this controlling principle, declares that "the necessary reduction in taxation can and must be effected without depriving American labor of the ability to compete successfully with foreign labor, and without imposing lower rates of duty than will be ample to cover any increased cost of production which may exist in consequence of the higher rate of wages existing in this country."

In the face of this declaration, and in the light of political events which have transpired since the last national convention sustaining this principle, we would not feel justified in departing from it in any revision of our tariff laws, and we certainly do not think, as a political measure, it can properly be asked of us. There is, however, ample reason for a reduction of tariff and a corresponding reduction of the revenues without contravening this important principle. All that is needed, in our opinion, is a disposition to meet the question fairly and deal with it as a matter of business and not of politics.

Sixth. Respecting your proposition to submit the measure proposed by us to a caucus of our political friends, "all parties to be bound by such action as it may take upon the subjects to which the bill relates," is one, it seems to us, that ought not to be asked. The question is not a political question; it is not a party question, for Republicans differ on it as do Democrats; the differences between us are not political differences, but differences on important economic and industrial questions, and we submit that it is not usual in either party, nor right, to attempt to bind men by caucus action on such action, and thereby not only to take from them their right and duty to act in accordance with their own con-



A 000 104 390 0

victions, but compel them to act contrary to their obligations as faithful representatives of the people who have sent them here.

These, too, are the very matters respecting which we are attempting to effect a compromise. In lieu, therefore, of a caucus, we suggest that a committee composed of members representing different phases of the questions involved in the two measures under discussion should be appointed to take up these differences in a spirit of fairness, with a view of coming together on a measure all can support, without either side being called upon to surrender convictions or to prove derelict in their duty to their constituents. We urge the suggestion of a conference the more because many of the gentlemen acting with us in the matter of internal taxes do not agree on all matters pertaining to the tariff.

Seventh. In accordance with your fourth suggestion, that in case no other arrangement is arrived at, that upon reasonable notice a motion be made to go into the Committee of the Whole on House bill 9702, introduced by Mr. RANDALL at the last session of Congress, we have to say that due notice will be given of the time when it is proposed to make such a motion, so that it may be generally known. We can not, however, close this communication without expressing again the hope that an agreement on a measure which our political friends can generally support is not yet impossible.

Respectfully submitted.

SAMUEL J. RANDALL, Pennsylvania,
A. J. WARNER, Ohio,
BARCLAY HENLEY, California,
WILLIAM MCADOO, New Jersey,
JNO. S. HENDERSON, North Carolina,
GEO. D. WISE, Virginia,
EDWARD J. GAY, Louisiana,

Committee.

Hon. JOHN G. CARLISLE and others.

Mr. HENDERSON, of North Carolina. I reserve the residue of my time.

The SPEAKER. The gentleman from North Carolina has two minutes remaining. [Cries of "Vote!" "Vote!"]

Mr. CABELL. As the House seems to desire a vote on this question, I will content myself with asking the privilege to print some remarks.

Mr. COWLES, Mr. WISE, Mr. DANIEL, and Mr. O'FERRALL made similar requests.

Mr. TAULBEE. I ask unanimous consent that permission to print remarks in the RECORD on this bill be given to all members desiring to do so.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky [Mr. TAULBEE]? The Chair hears none; and general leave to print remarks on this bill is granted.

Mr. HEPBURN. I yield three minutes to the gentleman from New Hampshire [Mr. GALLINGER].

Mr. GALLINGER. I find, Mr. Speaker, that during the present Congress this House has passed and the President has signed public-building bills for San Antonio, Tex.; El Paso, Tex.; Jacksonville, Fla.; Savannah, Ga.; Huntsville, Ala.; Augusta, Ga.; Owensborough, Ky., and Houston, Tex., while this House has passed and the President has vetoed public-building bills for Duluth, Minn.; Zanesville, Ohio; Sioux City, Iowa; Dayton, Ohio; Portsmouth, Ohio, and Lynn, Mass.

I find furthermore that the State of Ohio, which has had three public-building bills vetoed in this Congress, pays to the Government annually over \$12,000,000 of taxes, while the States of Alabama, Arkansas, Delaware, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Maryland, West Virginia, Virginia, Tennessee, and Texas, fourteen States in all, pay \$10,000,000 in taxes, less by \$2,000,000 than the amount paid by the single State of Ohio.

Mr. Speaker, it seems to me that under this administration the Democratic States of the South are being very well cared for, and I think their "moonshiners" had better continue to pay taxes on their whisky. [Laughter.]

Mr. HEPBURN. I yield one minute to the gentleman from Maryland [Mr. McCOMAS].

Mr. McCOMAS. Mr. Speaker, this bill embraces a good proposition weighted down by one which is objectionable. For the fruit-brandies and certain other distillations I would have consideration; but so far as can here be seen this bill will make it too easy to evade the taxes, too easy to get rid of the burden; and when the clamor has gone by for a revision of the internal-revenue laws with reference to distilled spirits I fear that it will be found that in our hasty legislation on the dying day of a dying Congress we did not know what we did, so that the "moonshiner" crept through in the early daylight.

I think tobacco should be divorced in this case from whisky. Take away the whisky, and I am ready to vote for the tobacco grown from the soil and now burdened by unjust taxation in fifteen States and sixteen hundred counties.

[Here the hammer fell.]

Mr. HEPBURN. Mr. Speaker, gentlemen who advocate this bill have said very little about the interest of the "moonshiner." One of the provisions of this bill proposes to repeal the law which authorizes the destruction of the still and other machinery used by the illicit manufacturer of distilled spirits. I would like to have gentlemen give some reason why the implements of trade of a man engaged in an illegal business ought not to be destroyed. In the case of the counterfeiter, as well as the man who engages in gaming, the implements of his trade are destroyed. Why should not the same rule be applied in the case of the man engaged in the illicit manufacture of whisky?

Mr. COWLES. I might say to the gentleman from Iowa that the implements of the counterfeiter can not be put to a lawful use, whereas the implements of an illicit distillery are equally serviceable in licensed Government distilleries, and can be sold for such use.

Mr. HEPBURN. The destruction of their stills and machinery is one of the most burdensome and effective of all the punishments now inflicted upon these mountain gentlemen. With juries chosen from among their neighbors they can always be assured of the most lenient consideration when personally arraigned. But when the officers of the Government destroy their stills, there is inflicted a punishment which is felt. If such destruction is in any case unjust and without due process of law; if, in fact, the person whose still is destroyed is not engaged in the illicit manufacture of liquor, he has his action against the sureties of the officer and his action against the officer himself for his illegal proceedings.

They now propose these distilleries shall not be destroyed, but that they shall be offered for sale. I would like to ask the gentleman from North Carolina, in his district with its scores, possibly hundreds, may be, of illicit manufactories, what man would dare to buy in competition with the owner for this machinery? Under the cunning processes which the gentleman proposes to inaugurate here is the still of an individual which has been confiscated by the law, put up for sale, knocked down to whom and for a nominal sum.

[Here the hammer fell.]